

## THE STRATEGIC ROLE OF HRM IN DEVELOPING SUSTAINABLE COMPETITIVE ADVANTAGE IN THE VUCA ENVIRONMENT

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### Article Info

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### Abstract

This paper explores the strategic role of Human Resource Management (HRM) in creating a sustainable competitive advantage in the Volatility, Uncertainty, Complexity, and Ambiguity (VUCA) business environment. Through a literature review of articles found in various databases, the study found that HRM plays a crucial role in generating a sustainable competitive advantage in the VUCA environment. Effective selection, development, and support of a motivated workforce can significantly contribute to an organization's performance and sustainability. Specific strategies for achieving a sustainable competitive advantage include promoting diversity, recruiting and selecting talents oriented toward innovation, performance management, and training and development. Successful businesses applying HRM strategies for achieving a sustainable competitive advantage include Amazon and Google. The paper identifies the challenging context of VUCA in which businesses operate and stresses the importance of making employees innovation-oriented and flexible. The paper also presents the crucial role of HRM in generating opportunities for companies to develop their competitive advantage in the VUCA context through approaches like digitalization and talent acquisition.

### Introduction

Current business environments in developed and developing countries are characterized by VUCA (Volatility, Uncertainty, Complexity, and Ambiguity). This term is used to accentuate that the VUCA model is associated with rapidly changing environments, diverse employees' needs, and almost unpredictable customer expectations. As a result, human resource management (HRM) should be oriented toward overcoming barriers connected with the specifics of this environment to achieve a competitive advantage for a company. Thus, HR managers need to develop certain strategies to address new conditions in the market (Saridakis, Lai, & Cooper, 2017). Furthermore, in the current highly challenging market, businesses are expected to develop their sustainable competitive

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advantage to remain leaders in industries. The purpose of this paper is to analyze the strategic role of HRM in creating a sustainable competitive advantage in the VUCA business context.

### **1. Research Problem**

The problem is that the VUCA context has specific implications for HRM, and managers need to overcome volatility associated with technology development and customers' needs, uncertainty related to the unpredictability of using new frameworks, complexity connected with the necessity of working with diverse employees, and ambiguity related to the required focus on innovation. As a result, it is problematic for HR managers to contribute to the creation of a sustainable competitive advantage of a firm in a complex business environment (Codreanu, 2016). Therefore, it is necessary to pay more attention to examining and analyzing how HRM can realize its strategic role in generating opportunities for companies to develop their competitive advantage in the VUCA context.

### **2. Research Questions**

Since the VUCA business environment has imposed specific tasks on HRM for businesses to remain competitive, it is necessary to analyze the position of HR managers in these processes. The actual role of HRM in overcoming VUCA barriers and achieving a sustainable competitive advantage is still a topic of debates, and further analysis is required. The following research questions have been formulated to guide this analysis:

RQ1: What is the role of HRM in creating a sustainable competitive advantage in the VUCA World?

RQ2: What particular strategies can HR managers use to promote achieving a sustainable competitive advantage?

RQ3: Are there any examples of successful businesses using HRM for achieving a sustainable competitive advantage in the VUCA context?

### **3. Methodology**

The review of the literature on the identified research problem has been selected as a research method to address the set questions. To find recent articles on the topic, the following databases were searched: EBSCOHost, ProQuest, Google Scholar, Emerald Insight, and ScienceDirect. The keywords that were used in order to organize the search are the following ones: "HRM," "human resource management," "role," "competitive advantage," "sustainable competitive advantage," "VUCA," "VUCA World." These keywords were used individually and, in their combination, to retrieve as many relevant articles as possible. Inclusion criteria determined for the selection of articles are the type of a journal (scholarly, peer-reviewed), the date of publishing (within the past five years), and the topic area (HRM, business, and economics). Exclusion criteria include the inappropriate source of the article and the date of publishing. As a result of the search, 112 articles were retrieved for a preliminary review. After reviewing abstracts and the structure of the sources, 25 articles have been selected for further detailed review and analysis.

### **4. Findings and Analysis**

In the literature on modern business contexts, the VUCA environment is one of the most discussed terms. According to Das (2015) and Codreanu (2016), the reason is that the VUCA environment explains all the challenges modern companies face to remain competitive: the application of advanced technologies, shifted business models, the lack of time to adapt to changes, the necessity to revise performance management. Consequently, today executives and managers are interested in creating a sustainable competitive advantage rather than a general competitive advantage (Hamadamin & Atan, 2019; Hitka et al., 2019; Pearse, 2017; Saridakis et al., 2017). Researchers explain this tendency referring to the fact that a sustainable competitive advantage is more appropriate for the VUCA world because it means that an organization succeeds in recruiting and retaining human talents, has an effective environmental policy, and demonstrates economic growth (Almada & Borges, 2018; Gandhi, 2017; Jones, Harrison, & Felps, 2018). Thus, the challenging VUCA environment makes

organizations focus on building their sustainable advantage because a traditional competitive advantage cannot work in this context.

The role of HRM in helping organizations to achieve a sustainable competitive advantage is also analyzed by researchers with reference to the VUCA context. Singh and Sorum (2018) conducted interviews with 15 HR professionals in Indian firms and found that the strategies used by HRM to increase the competitive advantage are performance management, talent acquisition, diversity, and digitalization. Consequently, employees become prepared to work in the VUCA context, improving their performance and demonstrating developed technical skills (Inbavanan, 2018; Singh & Sorum, 2018). HRM strategies leading organizations to the competitive advantage were also studied by Delery and Roumpi (2017) and Latukha, Lisina, and Panibratov (2019), who mentioned training, development, and performance management practices among the most important ones. Buller and McEvoy (2016) also agree that HRM can change an organization's competitive potential because professional human resources are the key to sustainable organizational performance. Jain (2019) states that HR managers are responsible for finding the balance between using human talents and innovative technologies to achieve the advantage. Therefore, human resources need to be trained and developed to remain competitive in the market, skillful, and able to apply new technologies in operations. To remain a market leader, it is important for a company to have the workforce ready to adapt to new conditions. The strategic role of HRM is to translate an organization's strategies and goals into practices to make human resources focused on flexibility and innovation (Zawawi & Wahab, 2019). Following Naznin and Hussain (2016), if HR managers cannot guarantee that talents work in their organization, receive necessary training and support, improve skills, and develop commitment, it is impossible for this company to survive in the VUCA environment. According to Sasmal (2019), in the VUCA world only exponential HRM can lead a firm to success because of applying such effective strategies as staffing on demand, attracting talents, and developing the human economy.

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Kimura (2019) and Jarrah, Karadsheh, Naser, and Alhawari (2019) also support this idea: to succeed, modern organizations need to be agile or relied on the collaboration of empowered talents. Thus, the task of HR managers is to ensure employees are highly interested in promoting a company's success through high-quality performance, proactivity, innovation, and flexibility (Holbeche, 2015). In this case, they can lead organizations to a sustainable competitive advantage.

Researchers also referred to the experience of different organizations in using HRM to generate a sustainable competitive advantage and succeed in the market. For example, Amazon is one of the companies that quickly recognize market trends and are ready to transform in order to adapt to changing environments and achieve the industry leadership (Fratričová & Rudy, 2015; Mouriño, 2017). To realize these changes, HRM is oriented toward selecting, retaining, promoting, and motivating employees to work hard to contribute to the company's progress (Radomska, Wołczek, & Silva, 2019). Apple is another company that uses HRM to promote its sustainable competitive advantage as this company not only follows trends but also sets them (Holbeche, 2015; Mouriño, 2017). Thus, HR managers are responsible for selecting only the most appropriate diverse candidates who have skills and experience in working with the latest technologies (Mouriño, 2017; Soliman, 2018). In this context, the effectively managed workforce becomes the core for the organization to realize all its strategies to survive and win in the VUCA environment.

## 5. Conclusion

The review and analysis of the literature have allowed for answering the set research questions. The role of HRM in creating a sustainable competitive advantage in the VUCA business environment is viewed by researchers and experts in the area as strategic and extremely important. The reason is that the perfectly selected, managed, and

motivated workforce contributes to the organization's performance and sustainability to effectively compete in the market. Particular strategies that HR managers can use to achieve a sustainable competitive advantage are the recruitment and selection of talents or skillful employees ready to work with advanced technologies, performance management, training and development, and the promotion of diversity. Companies' strategic goals need to be shifted by HR managers into practices to lead employees to achieving these goals in a sustainable manner. Finally, there are many examples of successful businesses that use HRM for achieving a sustainable competitive advantage, and Amazon and Google are the most recognized organizations among them that make employees be flexible and innovation-oriented in their work.

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